

Message Text

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ACTION EUR-25

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INFO AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

LIMITED OFFICIAL USE USOECD PARIS 17060

E. O. 11652: N/A

TAGS: ECON, OECD, BE, LU

SUBJ: EDRC REVIEW OF THE B. L. E. U., JUNE 25

REF: EDR(73)14

1. SUMMARY: DRAFT ANNUAL ECONOMIC SURVEY BLEU (REFD0C)
RECOMMENDS BELGIUM REDUCE ITS EXCESSIVELY LARGE
CURRENT ACCOUNT SURPLUS. ACKNOWLEDGING FIRST PRIORITY
TO FIGHTING INFLATION AND APPROPRIATENESS OF GRADUALLY
MORE RESTRICTIVE DEMAND MANAGEMENT, SURVEY ALSO
RECOMMENDS STRENGTHENING REGIONAL AND MANPOWER
POLICIES AND INTRODUCTION INCOMES POLICY. END SUMMARY.

2. ENGLISH VERSION REFD0C REGRETTABLY NOT YET AVAILABLE.
COPY FRENCH VERSION AND MAIN ISSUES PAPER SENT DEPT
(KINNELLY) AND AMEMBASSIES BRUSSELS AND LUXEMBOURG
JUNE 20.

3. POLICY CONCLUSIONS ON BELGIUM NOTE THAT WHILE
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HAVE BEEN FALLING BELOW THIRD PLAN TARGET RATES OF INCREASE, BELGIAN CURRENT SURPLUS ROSE TO 4 PERCENT OF GNP IN 1972 (ONE OF THE HIGHEST FOR OECD COUNTRIES). IT HYPOTHESIZES THAT EXCESSIVELY LARGE CURRENT EXTERNAL SURPLUS WILL CONTINUE AND COULD EVEN INCREASE IN 1973. WITHOUT BEING TOO SPECIFIC ABOUT HOW TO GO ABOUT IT, SURVEY CONCLUDES THAT REDUCTION THIS SURPLUS WOULD CONTRIBUTE TO BETTER EQUILIBRIUM INTERNATIONAL PAYMENTS AND HELP COMBAT DOMESTIC INFLATION.

4. CONCERNING HIGH PRIORITY WHICH BELGIANS GIVE TO REDUCING INFLATION RATE, SURVEY BELIEVES GRADUALLY MORE RESTRICTIVE STANCE OF DEMAND MANAGEMENT HAS BEEN APPROPRIATE, BUT CAUTIONS THAT CONVENTIONAL DEMAND MANAGEMENT OFTEN CONFLICTS WITH OTHER ECONOMIC POLICY OBJECTIVES, E. G., STIMULUS TO PRIVATE INVESTMENT, SATISFACTION OF COLLECTIVE NEEDS, AND REDUCTION OF UNEMPLOYMENT. IN THIS RESPECT, IT RECOMMENDS FURTHER DEVELOPMENT OF NON- DEMAND MANAGEMENT TOOLS. SURVEY SEES NEED, FOR EXAMPLE, TO STRENGTHEN STRUCTURAL, SECTORAL AND REGIONAL POLICY MEASURES SO AS TO INCREASE COMPETITION AND REDUCE PRODUCTION BOTTLENECKS. ASIDE FROM IMPROVEMENT OF MANPOWER MOBILITY AND VOCATIONAL TRAINING, IT BELIEVES USEFUL TO EXPLORE POSSIBILITY INTRODUCING SOME KIND OF INCOMES POLICY IN ORDER BREAK INTO WAGE, PRICE SPIRAL MECHANISM.

5. IN ABSENCE INSTRUCTIONS TO CONTRARY, WE PROPOSE SUPPORT REFDOC, ESPECIALLY WITH REGARD ITS CONCLUSIONS ON BALANCE OF PAYMENTS. REPRESENTATION AT REVIEW FROM AMEMBASSIES BRUSSELS AND LUXEMBOURG WELCOMED.
BROWN

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